

November 26, 2002

VIA HAND DELIVERY

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, Massachusetts 02110

RE: Western Massachusetts Electric Company, 2003 Rate Change Filing, D.T.E. 02-77

Dear Secretary Cottrell:

Pursuant to 220 CMR 5.00 *et seq.*, Western Massachusetts Electric Company (“WMECO” or the “Company”) hereby requests that the Department of Telecommunications and Energy (“Department”) approve the following changes to WMECO’s rate tariffs effective January 1, 2003 for consumption on and after that date. Pursuant to 220 CMR 5.03, this is WMECO’s Letter of Explanation. A filing fee of \$340 is enclosed which includes a \$100 application fee and \$15 per proposed tariff.

In summary, WMECO proposes to change its rates to implement the statutorily-allowed inflation to its price caps, the statutorily-mandated reduction to the renewable energy charge, an increased Standard Offer Service (“SOS”) charge, changes in the transmission charge, and adjustments reflecting the true-up of the 2001 SOS and 2001 Default Service (“DS”) revenues and expenses. WMECO requests these adjustments at this time so that they can become effective on January 1, 2003. The net effect of these adjustments is to increase WMECO’s non-contract, standard offer overall rates approximately 1.8 percent from current rate levels. These adjustments do not apply to contract customers.

The proposed net rate increase consists of several adjustments. The first adjustment is an increase for standard offer service related to WMECO’s supply costs for SOS. The Department approved WMECO’s 2003 SOS supply contract on November 11, 2002. Also, included as part of the SOS rate this year is a reconciliation of year 2001 SOS revenues and expenses. This adjustment was calculated pursuant to WMECO’s Standard Offer Service

tariff, M.D.T.E. No. 1025D. The second adjustment reflects changes in the transmission charge. These include costs and adjustments being reflected from the implementation of WMECO's Transmission Cost Adjustment tariff, M.D.T.E. No. 1028B. Lastly, there is the increase to WMECO's transition charge reflecting the 2001 DS true-up. When taken together, these adjustments result in the 1.8 percent increase indicated above. WMECO believes that the increase it is seeking is: (1) consistent with the Massachusetts Electric Utility Restructuring Act (Chapter 164 of the Acts of 1997); (2) consistent with WMECO's restructuring plan; and (3) conducive to promoting customer choice for WMECO's customers.

The enclosed filing provides background on WMECO's restructuring plan and explains WMECO's rate proposal and rationale. Also enclosed are the supporting calculations that implement the above-described changes to the Company's rates.

- Attachment 1: Proposed rates effective January 1, 2003.
- Attachment 2: Redlined version of the Company's proposed rates.
- Attachment 3: Inflation calculation.
- Attachment 4: Comparison of pre-discount vs. proposed rates.
- Attachment 5: Comparison of current rates to proposed rates.
- Attachment 6: Bill comparisons for Standard Offer Service.
- Attachment 7: Bill comparisons for Default Service.
- Attachment 8: Revenue summary and workpapers by rate and functional category.
- Attachment 9: 2003 Standard Offer Service rate calculation.
- Attachment 10: Retail transmission tracker.

Please contact Richard Soderman at (860)665-3568 or Don Bishop at (617)748-5141 should you have any questions in regard to this filing.

Very truly yours,

Lisa J. Thibdaue
Vice President,
Rates, Regulatory Affairs & Compliance

Enclosures

cc: Kevin Brannelly, Director of Rates and Revenue Requirements
Joseph Rogers, Assistant Attorney General

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David O'Connor, Commissioner, Division of Energy Resources
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